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ABSTRACT

This module on owning and operating a restaurant is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are: planning your business (services, customers, and competition; personal qualities and skills; competition; image; legalities); choosing a location (competition; possible income; transportation); getting money to start (resume; business description; statement of financial need); being in charge (tasks; selecting job applicants; personal interview; personal references; employee training); setting prices (food costs; wages and other operating expenses; competition; profit); advertising and selling (initiating the sale; understanding your customers; types of ads); keeping financial records (guest check; daily cash sheet); buying and keeping track of supplies (suppliers and their terms; ordering food; purchase orders; inventory control); and keeping your business successful (profit/loss statement; net profits; changing your business to increase sales). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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etc Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Restaurant Business

Module 22

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GETTING DOWN TO BUSINESS:

Restaurant Business

Marcella Kingi

May 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own restaurant?

This module describes people who have started and managed restaurants. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a restaurant
- choosing a location
- getting money to start
- being in charge
- buying and keeping track of supplies
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that restaurant owners do.

Then you will have a better idea of whether a career as a restaurant owner is for you.

Before you study this module, you may want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

- Module 23, Getting Down to Business: Day Care Center;
- Module 24, Getting Down to Business: Housecleaning Service;
- Module 25, Getting Down to Business: Sewing Service.

These modules are related to other businesses in occupational home economics.

UNIT 1

Planning a Restaurant

Goal: To help you plan your restaurant.

Objective 1: Describe the services, customers, and competition of a restaurant.

Objective 2: List three special personal qualities a restaurant owner needs.

Objective 3: List ways to help your business "stand out" from its competition.

Objective 4: List one legal requirement for running this business.

MANUEL HERNANDEZ PLANS TO OPEN A RESTAURANT

Manuel Hernandez came to the United States with very little money. He could not speak English, but he wanted to learn. Someone told him that the best way to learn would be to work in a restaurant where he could talk to people. Manuel liked people and thought this was a great idea. He found a job as a busboy in a small restaurant.

Though Manuel had a problem with the language, he had a smile for everyone and feelings for people's needs. People liked him, and he made a lot of friends. Manuel said, "Because I smiled and because I was human, people liked me." In a few months he became a waiter.

While working as a waiter, Manuel learned several things. He was able to order and prepare food, sell it to the customers, and handle any complaints the customers had about their meals. Manuel was always courteous, pleasant, and fair to his customers and co-workers. He did not mind the hard work or long hours his job required.

Manuel has worked in several restaurants for over three years. He feels that the prices in these restaurants are too high. He thinks that he could provide lower prices and good things to eat with the same amount of supplies.

Manuel has often thought about owning his own restaurant--being his own boss. He would like a restaurant with a "family feeling"--a place where people could come to eat, visit, and enjoy each other's company. He would act as waiter, treating everyone as if they were in a family member's home. Manuel has decided to plan to open his own restaurant.

Planning a Restaurant

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

There are four things that you and Manuel will need to do when planning to become a restaurant owner:

- decide what services, customers, and competition the restaurant might have;
- decide what personal qualities and skills you will need;
- know how to compete well; and
- learn about the legal requirements for running the business.

Services, Customers, and Competition

As a restaurant owner, you will be different from most other business owners. You will need to know something about manufacturing, retailing, and the service trades. Most business owners only need to know about one of these areas. Manufacturing will involve a processing job, like preparing the food. After the food is prepared, you will need to sell it to your customers, like the retailer. The food is sold and eaten in the restaurant. So you will have to deal with the problems that occur in the service trades.

Services. A restaurant serves people's eating needs and includes two types of services: "luxury" and "fast food." The luxury restaurant includes family and entertainment types. The family restaurant, like Manuel's, has good food and service. These things make you relax and

feel comfortable. The entertainment type has singers, bands, and "live acts." It usually charges more for meals, too.

The fast food service sells quickly prepared food and deals with a lot of services and customers. These services attract to people who need quick service and tasty dishes at a low price.

Customers. All types of people are likely customers. People want different things from food. Their taste and income are different, so they eat in all types of restaurants. Business workers usually eat in cafeterias where they work. Shoppers and business workers who are in a hurry eat in lunch counters or "fast food" places. Travelers or professional people usually eat in "luxury" restaurants where they can relax. The type of customer you serve will probably depend on your location. The Chamber of Commerce can tell you the number of people in your area and the number of shoppers in a certain area. Just look it up in the Yellow Pages of the telephone book.

Competition. There is a lot of competition in the restaurant business. Competition is one of the most important things to consider in selecting the area for your restaurant. This topic will be discussed in detail later. Visit other restaurants to see what they offer. It will help you decide what "special service" you might need to offer to make your business a success.

Personal Qualities and Skills

Most restaurant owners feel that your personal qualities are the most important part of the business. A lot of owners have succeeded without much education, experience, or management skills. But it is to your advantage to know something about the restaurant business in order to succeed. Manuel knows that restaurants are a "people business." He knows that you must:

- really like food and people. He likes preparing food and enjoys being around people. He is courteous, pleasant, and fair to everyone.
- be skilled in buying, preparing, and serving food. He knows where and how to buy good food. He has cooked and served many meals.
- have a head for figures. He knows the cost of food and how to arrive at a fair selling price.
- be willing to work hard and long hours. He has worked two jobs many times.
- have concern for the quality of the food and health of the community you serve. He has always provided the highest standard of service to his customers, no matter how simple the menu.

You may like being with people and working with them. Then you will probably have a good relationship with your customers and employees.

How to Compete Well

Manuel decides that his special service will be acting as waiter to all of his customers. He will also provide a "family feeling," treating everyone who enters his restaurant like a "guest in his home." He hopes this will help him stand out from his competition. Below are some ways that you can help your restaurant overcome some of the competition.

New services. Offer new services other restaurant owners do not provide. Here are some ideas.

- Special food ideas. Why not open a "Turkey House" where all the dishes include turkey--turkey and dressing, turkey sandwiches, BBQ turkey wings, and--finally--turkey soup with all those left-overs? Use the same approach the "chicken chains" use. Don't forget to include a "Gobbler's special."

- Delivery service to nearby businesses only. Today many businesses do not deliver because of gas cost. Why not offer a delivery service for lunch time only?
- The community newspaper. This paper is usually free. It would help to keep customers informed of community happenings while they eat.
- One free cup of coffee or a multi-vitamin. You could offer these as a breakfast special.
- A separate area where "kids" can eat. Hire staff just for them. Parents could leisurely eat and not have to worry about "feeding the kids."

Special Business Image

Create a business image that people won't forget. Give your restaurant and menu a "catchy" name. Hire friendly employees who care about people and don't mind hard work. Have them remember the regular customers' names. Everyone likes to be remembered. Don't forget a special item for the children.

Legal Requirements

Contact your local Chamber of Commerce to learn the kind of taxes you must pay, the licenses you must get in order to do business, and the regulations you will need to meet. Here is a list of a few of the things you will need to obtain:

- business license;
- health department permit; and
- fire department permit.

You will also want to protect your business and customers by carrying different types of insurances. Talk to a business insurance agent to find out what types of insurance you will need.

Summary

It takes a lot of planning to get a restaurant off to a good start. Now you know some of the things that you must do as a restaurant owner when planning to open your own restaurant.

Learning Activities

Individual Activities

1. List the three things that make a restaurant owner different from other business owners.

2. Name the two types of services that a restaurant provides. Explain how they differ.

3. Give at least two examples of the types of customers a restaurant owner might have and where these customers would eat.

4. Do you have the right personal qualities to become a restaurant owner? Put a check next to the ones that you think you have:
   _____ really like food and people
   _____ have some experience in buying, preparing, and serving food
   _____ willing to work hard and long hours
   _____ concerned about the quality of food and the health of your community
   _____ a "head for figures," enjoy working with numbers

5. Think of a type of restaurant you would like to own. Name it. Then think of a special service you would offer. Explain why you think people would like it.

6. Call your local Chamber of Commerce. Ask what the legal requirements are for owning a restaurant.

Discussion Questions

1. Why do you think people eat in restaurants? Do you think it is a good business to go into? Why, or why not?

2. Do you think Manuel will be successful in running his own restaurant? Why, or why not?

3. How do you think fuel shortages and the economy are affecting the restaurant business? Explain your thoughts.

Group Activity

Contact a restaurant owner near your school. Ask that person to visit your class to share his or her experiences in running a restaurant. Make up some questions you would like to ask the visitor. Here are a few examples.

1. Why did you decide to become a restaurant owner?

2. What kind of experience did you have before becoming a restaurant owner?

3. What did you do to plan your restaurant?

4. What special services did you offer your customers?

5. Would you advise others to go into the restaurant business? Why, or why not?

UNIT 2

Choosing a Location

Goal: To help you choose a location for your restaurant.

Objective 1: List three things to think about in deciding where to locate your restaurant.

Objective 2: Pick the best location for a restaurant from three choices and explain your choice.

MANUEL DECIDES WHERE TO LOCATE

Manuel liked the area he lived in. He would shop at a market two blocks away from his home. He would often think, "If I ever decided to open a restaurant, I would like it to be in one of these two blocks." One day a friend called him. This friend was also a waiter who knew of Manuel's interest in owning a restaurant. He called to give Manuel an address he thought might be a good location.

Manuel went to the address and thought it was a miracle. The location was two blocks away from home, near the market. It was just what he wanted. The size was right and the equipment was already there. It was everything he had hoped for.

Manuel talked to the owner and found that he wanted to sell his business. Manuel could take over the owner's bills, which were no more than $3,000. His rent would only be $300 a month.

Manuel could not believe what was happening. He knew that the location was "hot." It was just the right place for a successful restaurant, because there were only a few restaurants in the area. There was also a club next door that was "booming." There was always a line in front of the place. What had been the problem? Why did the owner want to sell?

Manuel decided to buy the restaurant. The deal was too good to pass up. The owner then told him, "Now you can have it and hate it." Manuel knew what the owner's problem was immediately--he really did not like people!

Choosing a Location

Once you have decided to open your own restaurant, how will you choose your location? Do you have a certain type of restaurant in mind to fit a special location? Or will you try to fit the restaurant to any location?

Things to Think About in Deciding Where to Choose a Location

You should think about the following three things when making your choice:

- competition--the number of other restaurants in the area;
- possible income--how much money can be made; and
- transportation--whether customers will be able to get to the restaurant easily.

Competition

Competition is one of the most important things to watch when you choose your location. Any location may be a bad one if there are a lot of good restaurants already there. Find out your competitors' weaknesses. Go to different restaurants. See what kind of menus, special services, prices, and business hours they have before you make a decision about the area.

Possible Income

How much money will you make if you decide to choose a location in this area or that area? You'll need to check the amount of money people

pay for rental and home costs for each area of interest. Rental and home costs are usually 20% of a family's income. If a family pays $300 per month, it is probably making about $18,000 a year.

The amount of income spent on food in restaurants varies for different incomes. But the average is about 5%. The family that makes $18,000 a year would probably spent $900 a year in restaurants.

If a neighborhood has 1,500 families making $1,500 a month, a restaurant could make about $100,000 a year. Sounds fantastic, but there may be other restaurants in the area. Then you'll probably have to share the sales with them. Of course, this will depend on how creative you are in making your restaurant a success.

Call or visit the Chamber of Commerce and a real estate office for each of your areas of interest. These organizations can give you information about the income of each community in their area.

Transportation

A restaurant should be easy to get to in order to be successful. To determine this, find out:

- the number of people who pass by on foot or in cars;
- the hours crowds are heaviest;
- where the people are going--home, work, shopping;
- the types of businesses nearby;
- plans for growth in the area; and
- public parking spaces.

This information can be gathered by visiting your areas of interest. Talk to everyone--store owners, office employees, shoppers, the person next to you at a competitor's restaurant. You can also contact the city planning department. Talk with someone there about plans for growth in the area and the amount of public parking.

Choosing a Location

In choosing the actual site for your restaurant, there is one thing you will have to do first. Find out if the customers will be able to get to you. If they come by car, parking space is absolutely necessary. Before you decide on the location, "clock the traffic." Count the number of people and cars that pass the spot. Be sure to cover the hours planned for your business. Don't forget about weekends and the effect of weather conditions, good and bad.

In making your decision, it is also necessary to decide on the size of the business you will run and the rent you will pay. The rent should be based on the amount of business (money) you expect to bring in. Your rent should average about five percent of this amount.

If you pay $300 for rent a month, like Manuel, you should expect to take in about $6000 a month in sales. Your seating capacity, expected turnover, and type of customer may not indicate this sales volume ($6,000). Then choose another location, or change the plans of your business.

The location may meet your requirements. But, before making a final decision, make a map of the area by following the steps below.

- Draw a line around the location to include all other businesses.
- Spot key businesses in the area.
- Make a special mark around eating places so you can tell the size, type, and location of your competition.

Picking a location may be the single most important decision you will make in owning your own restaurant. So plan to put a lot of time into the choice that you make. You may be as lucky as Manuel and find just what you want.

Summary

Once you have decided to open your restaurant, you must "check out" the competition, possible income, and transportation for the area in which you plan to set up your business. You will also need to decide on the size of your business and the rent you should pay. Your time and planning will determine the success of your business.

Learning Activities

Individual Activities

1. Name at least three things you should find out about your competition before you choose a location.

2. Call the Chamber of Commerce or a local real estate office. Find out the income of the community where you live.

3. Make a list of the restaurants in your area and list their specialties (use the Yellow Pages).

4. A community has 2000 families with an average monthly income of $1500. You plan to open the only restaurant in this area. How much money could you expect to make a year?

5. Call the Chamber of Commerce or a real estate office in the area where you live. Find out the number of people in the community and their average income. Figure out how much you could make a year if you were the only restaurant in the area.

6. List at least three ways to tell if a location is easy to get to.

7. If you paid $500 for your rent, how much should you expect to make in sales a month if the rent is 5% of your income?

Discussion Questions

1. From what you have learned in the individual activities, do you think it would be wise to open a restaurant in your area? Why, or why not? What kind of restaurant would you open? Why?

2. Think of all the successful restaurants in your community. Discuss how their locations affect their success.

3. Jack and Betty Jackson decided to open a restaurant. Jack was a short-order cook, and Betty was a waitress. They decided to open a restaurant in a low-income community. The area had a lot of fast-food businesses. But the transportation was not that good. The Jacksons figured that they could make money because the rent for the restaurant would be cheaper in this area. The restaurant failed. Why? What could they have done differently in choosing their location?

Group Activity

Have each student pick a site for a restaurant in the community and find out the following information:

- number of restaurants in the area;
- types of businesses nearby;
- income of community;
- traffic patterns; and
- availability of public transportation and parking space.

Discuss each site. Decide if the location would be a good or poor choice for a successful restaurant.

UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start your restaurant.

Objective 1: Write a business description for your restaurant.

Objective 2: Fill out a form showing how much money you need to borrow to start your restaurant.

MANUEL GETS MONEY TO OPEN HIS RESTAURANT

The next step for Manuel was to figure out how much money he would need to start his restaurant. He also needed to know where he would get the money.

Manuel made a list of what he'd need. The total came to about $14,000. Manuel figured that he would only open for dinner at first. His hours would be from 6:00 to 10:00 Tuesdays through Sundays. He would only need staff for these hours. The salaries would amount to about $3,000 for the first three months. Manuel would also need an extra $10,000 for any problems that might come up.

Manuel had saved $5,000 while working as a waiter. He would use this money to invest in his own business. He would also need to borrow about $22,000.

Manuel decided to apply for a business loan from the local bank. He had heard from other ethnic restaurant owners about a special assistance program available to minority business owners through the Small Business Administration (SBA). This is a federal agency that makes loans through commercial banks. Manuel decided to ask about this program when he applied for his loan.

Getting Money to Start

Now that you have located a place for your restaurant, you'll need some money to start it. That is, unless you are very wealthy and don't need to borrow money from anyone. For those of you who fit this case, you may skip this section. But for the "struggling, up and coming restaurant owners of tomorrow," read on.

Let's say you have tried to borrow from friends and relatives, but they just aren't able to help right now. To get the money to start your business, you'll need to go to a lender--a bank or government agency. You will need to provide a lot of information to prove that you are a good business risk. Lenders will want:

- personal background information (a resume);
- a description of your business; and
- a statement of financial need.

Personal Background Information (a Resume)

A resume is the first thing you should prepare when requesting a loan. The resume tells the lender who you are, what you are doing now, and what you've done in the past. The lender needs to know about you to get a better idea of your possible business success.

Business Description

Every new business begins with an idea. Your next step in getting your loan is to put your idea into writing by preparing a written description of your business. Your business description should include the following:

- kind of business and its name;
- services you will provide;
- location of business;
- your competitors (other restaurants in the area);
- who your customers will be;
- your suppliers and how you will pay them; and
- number of employees you will need to hire and your strategy for success.

Manuel completed the following business description for the $22,000 credit needed to start his business:

"I plan to open a restaurant. Its name will be La Masia (The Family). It will specialize in Spanish food. I plan to locate the restaurant at 9801 Santa Monica Blvd. At this address there is a restaurant that is already equipped and furnished. My rent will be $500 a month.

The restaurant is large enough to house the inventory. It will seat about 40 customers. I plan to do some remodeling. I have estimated this cost to be about $5,000.

There are only four restaurants in the area that might be of some competition. But they do not specialize in Spanish food. In talking with people and business owners in the area, I have found a real need for a specialized restaurant. I plan to use the local markets and a nearby food supplier.

I will have three people working in the restaurant. They are a cook, a dishwasher/busperson, and a waiter or waitress. I will help prepare the food before the restaurant opens. I'll also act as one of the waiters. I plan to open the restaurant by July 1, if I can get this loan from the bank."

Statement of Financial Need

Detailed information about starting expenses and the amount of money you have on hand must also be given to the lender.

Starting expenses. The starting expenses will tell the lender the exact amount of money you will need to open your restaurant. Let's look at what Manuel's starting expenses list looked like:

• Salaries	$ 3,000.00
• Equipment and furniture	3,000.00
• Rent (deposit and first 3 months)	1,900.00
• Utilities and phone (deposits and and first 3 months)	1,300.00
• Business licenses, insurance, and accounting advice	350.00
• Repairs/remodeling	5,000.00
• Advertising and promotion	700.00
• Food inventory (at opening)	1,500.00
• Money for emergencies	10,000.00
TOTAL	$26,750.00

Manuel will pay out a lot for remodeling, rent and utilities, equipment and furniture, and food inventory. Manuel will buy an existing restaurant so he will not need to spend as much on furniture or equipment as the owner of a new restaurant would. To find what he needs, he will contact a restaurant supply house. These firms can help you choose and even finance equipment. You may lease or buy, depending on your needs.

Restaurants' starting expenses vary, depending on the size and type of food offered. Usually profits will be slow in the beginning. It is best to borrow enough money so that you will have an excess on hand. This will help to carry you through the first six months of business.

Sample statement. A sample statement of financial need is shown below.

STATEMENT OF FINANCIAL NEED

Starting Expenses		Money on Hand	
Salaries	$		
Building and Property			
Repairs and Renovations		Cash on Hand	$
Equipment and Furniture		Gifts or Personal Loans	
Inventory or Supplies		Investment by Others	
Advertising		TOTAL	$
Other			
TOTAL	$		

TOTAL STARTING EXPENSES	$
TOTAL MONEY ON HAND	
TOTAL LOAN MONEY NEEDED	$

This form may be different from the one that you will use. But it will give you an idea of what to cover when preparing a statement of financial need.

Summary

When applying for a loan, you will need to provide a description of your personal background (resume), a business description, and a statement of financial need. Your careful planning will be the key to the outcome of your loan request.

Learning Activities

Individual Activities

1. Manuel did not include part of a section in his business description. What was it?

2. Fill out the following statement of financial need for Manuel.

STATEMENT OF FINANCIAL NEED			
Starting Expenses		**Money on Hand**	
Salaries	_____		
Building and Property	_____		
Repairs and Renovations	_____	Cash on Hand	_____
Equipment and Furniture	_____	Gifts or Personal Loans	_____
Inventory or Supplies	_____	Investment by Others	_____
Advertising	_____	TOTAL	_____
Other	_____		
TOTAL	_____		
		TOTAL STARTING EXPENSES	_____
		TOTAL MONEY ON HAND	_____
		TOTAL LOAN MONEY NEEDED	_____

3. Which of Manuel's starting expenses would need to be listed under "Other"?

Discussion Questions

1. How do you think a lender (bank or government agency) would react to Manuel's business description?

2. What other information other than a business description and statement of financial need would a lender want to know before giving Manuel a loan?

Group Activity

Charles Robinson has worked as a cook in a restaurant for over two years. He loves to cook and has created some "very special" dishes. He has tested these dishes on several customers. They have raved about their taste and flavor. Charles has found a small restaurant, fully-equipped, that seats about 20 people. He would like to open a specialty restaurant immediately. But he has only saved $1,000.

As a group, discuss the following.

1. What would Charles's starting expenses probably include? How would his costs compare to Manuel's?

2. Would he have to apply for a loan? If so, how would he do this?

3. Do you think Charles should go into business before saving more money? Why, or why not?

UNIT 4

Being in Charge

Goal: To help you select and manage the people with whom you work.

Objective 1: Given the general tasks of a restaurant owner and several employees, decide how to divide the work.

Objective 2: Select from a list of restaurant applicants those acceptable for your restaurant.

Objective 3: List three ways employee training can help your business.

MANUEL HIRES HIS STAFF

Being a waiter, Manuel knew how many employees he needed to serve the 40 people, which his restaurant would seat. He needed a cook to help him prepare and buy the food and oversee the kitchen. He needed a dishwasher to keep the dishes washed and the kitchen area clean. He needed a busboy or busgirl to clean the tables. He also needed from one to two waiters or waitresses to serve his customers and assist with other duties.

Manuel would have to hire a staff. "The first thing that I will look for in employees is a good personality--how they handle themselves--because they will be an extension of my character. Everything I will have put into my business will depend on my staff, especially the waiters and waitresses. They are the most important part of a restaurant. Many people think that the food is most important. It is, but the waiters and waitresses can do magic."

Manuel developed an application form and a list of interview questions. His experience in the restaurant business was of great help. Within two weeks Manuel had hired his staff.

Being in Charge

Owning and operating a restaurant business involves many different tasks. The most important is hiring and being in charge of your staff. In this unit you will learn about:

- the general tasks involved in running a small restaurant and the staff you might need;
- sources for finding your staff; and
- selecting the staff.

Tasks

In the restaurant business, you will deal with a lot of different tasks. In the course of one day you may:

- prepare and serve the food;
- arrange for food deliveries;
- place new orders;
- call for repair people;
- hire and train new employees;
- check cash receipts; and
- oversee the kitchen.

Will you be able to handle all these tasks on your own? Being a restaurant owner requires constant supervision of the business. Like Manuel, you will need help in handling some of these tasks.

The size of your staff will depend on several things. These include the type of service you offer, your menu, equipment, number of meals served, and the number of customers served each meal. Some restaurants have about one employee to every 50 or 60 customers. Manuel feels that

a waiter or waitress can only handle eight tables properly. He says, "Physically, they just can't do any more."

For a small restaurant like Manuel's, let's suppose you will need only five employees. These include a cook, dishwasher, busboy or busgirl, and two waiters or waitresses. How will you select these people? It is important to know what type of employee you are looking for. You also must know where to look for them.

Selecting Job Applicants

The success of your restaurant depends on the skills, cooperation, and loyalty of your employees. You must select from job applicants carefully. Remember, these people will be an extension of you. The success and reputation of your business will depend on how well you make these selections.

Sources of employees. There are several ways to find an employee:

- friends and acquaintances;
- employment agencies;
- newspaper advertisements; and
- personal applications.

Friends and acquaintances are sometimes able to recommend possible applicants. These references are usually the best. They know your business needs and what type of person you have in mind.

Employment agencies are also a good source. There are two types--public and private. The U.S. Employment Service has public employment offices in each state. It is set up for the benefit of both employer and worker. Private agencies usually charge a fee, but some specialize in certain kinds of employment. They might be a good source for getting skilled employees.

The newspaper advertisement is the most widely used way of looking for employees. Another good source would be vocational counselors in schools and vocational programs like home economics and distributive education.

After you have found some potential employees, you will have to learn certain things about them. You can get this information from a detailed application. The applicant should:

- fill out a detailed application;
- provide personal references; and
- have a personal interview.

Detailed application. The amount of detail in the application will depend on the type of job you want to fill. You should look for physical ability, educational background, and personal qualifications.

Physical ability and aptitude for handling tools and equipment are needed in restaurant work. You must look for physical abilities that will help the employees develop the skills they need for the job. Waiters and waitresses, cooks, and busboys and busgirls have to do a lot of walking and standing. So keep in mind that a lot of physical demands will be put on these employees.

Educational qualifications are important. Employees should be able to read and write, add and subtract, and multiply. This is especially true for the employees who will be dealing with the customers and making money transactions. A high school education would be an asset for any staff who may be asked to do a supervisory task.

Personal qualifications involve emotional stability, which is needed for any person who has to work with others. It is especially important in restaurant employees so that you avoid problems when you have periods of heavy and fast work. Energy, conscientiousness, and cooperation are qualities to look for in all of your employees.

Personal Interview

The personal interview is especially important. It can tell you about the personal qualities that don't show up in the application. In your interview you should discuss carefully the job qualifications with the applicant. Through a friendly conversation you can find out how the person meets your standards.

These are a few questions from Manuel's list that you might ask a person applying for a waiter or waitress job.

Question	Consider the answers to determine:
What do you think is the most important quality of a good waiter or waitress? Why?	Does the person understand the full responsibilities of the job?
Suppose a customer insulted you. What would you do?	How would he or she handle a difficult situation? Would the person be easily upset?
Why did you decide to apply for this job?	What motivates the person? Will he or she be with you long?

Personal References

Before hiring the person, check his or her references. Remember that hiring a person represents a large investment. An application and interview may show that a person is qualified to do the job. But after you check the references, they may show this is the wrong person to hire.

The best type of reference check is person-to-person. Call the reference and discuss the applicant. Prepare a list of questions to ask. These might include discussing the person's employment record, what kind of employee the person was, and how well he or she got along with others. It takes a lot of time, patience, and skill to check

references. But they are the best, most reliable source of information about the applicant.

Employee Training

Employee training is necessary for a successful restaurant operation. No business can succeed unless it is run by a staff of workers who know their jobs and perform them well. Let's suppose that you decide to hire a new waiter without training or experience and he is immediately put to work. He is told to watch the other waiters and do as they do. In a certain period of time the new waiter will learn your system. The amount of time taken to learn this process can be timely and costly to you. The job could have been learned more quickly with the proper training program.

Give the new employee a complete description of the job and a chance to practice before beginning work. The advantage of training is to shorten the learning period and make learning more effective. This contributes to greater production, lowers the cost to you, increases the employee's job security (which means less supervision), and improves his or her attitude about the job.

Summary

There are seven tasks you may do in the course of a day in running a restaurant: preparing and serving the food, arranging for food deliveries, placing new orders, calling for repair persons, hiring and training new employees, checking cash receipts, and overseeing the kitchen. Hiring new employees for a restaurant involves finding new employees, reviewing their applications, interviewing them, and checking their personal references. Training employees contributes to greater production, lowers the cost to you, increases employees' job security, and improves their attitudes about the job.

Learning Activities

Individual Activities

1. What are some of the tasks a restaurant owner might do in the course of a day?

2. Name at least three ways to find employees.

3. List the things an applicant must do when applying for a job.

4. What are some of the things you should look for in a detailed application?

5. Why is the personal interview especially important?

6. What is the best type of personal reference check? Why?

7. Name at least three ways employee training can help your business.

Discussion Questions

1. Suppose that Manuel's business grew so fast that the customer turnover was impossible to keep up with. What might Manuel do to improve the situation?

2. Assume that Manuel hired Carmen Martinez as a part-time employee. Carmen had worked in a restaruant as a cashier, busgirl, and waitress. Which task should Manuel assign her? Why?

3. What problems might a restaurant owner have if he or she hired an inexperienced waiter or waitress?

4. As the owner of a restaurant you have just interviewed Michael Adams. He is very friendly, and you are thinking of hiring him. His application and interview show he is very qualified. But he has had several jobs in the past year. After calling a few references, you also find that he is always late. What should you do?

Group Activities

1. Have the class pair up and role play the following situation. Reverse players to get an idea of how it feels on both sides.

   Jerry Roberts has applied to Manuel's restaurant for a busboy position. His application shows that he has worked in two other restaurants while going to school. During his interview he mentions a knee injury he had during football practice last year. He assures Manuel that his knee has healed. Role play Manuel interviewing Jerry.

2. Divide the class into groups of five. After role playing the situation once, have them change roles so each student can role play Manuel.

   Manuel's restaurant is packed for dinner. The cook is very temperamental this evening and has upset a waiter. It has a chain reaction on all of the staff. Role play Manuel's conversation with the cook, waiter, busboy or busgirl, and dishwasher.

UNIT 5

Buying and Keeping Track of Supplies

Goal: To help you buy and keep track of your supplies.

Objective 1: Select a merchandise supplier, decide how much you will buy, and develop a schedule for ordering the supplies.

Objective 2: Compute the total amount of your purchase order for your business.

Objective 3: Compute the amount of inventory on hand on a certain date.

MANUEL ORGANIZES HIS WORK

Manuel was very pleased with the way the plans for his restaurant were going. He had budgeted $1,500 for his opening inventory. Now he had to decide what he needed to buy. He also had to find reliable suppliers for his food purchases. Manuel made up a list of the food supplies he would need for his menu. He would need to purchase food from several different suppliers and distributors. He would need a wholesale grocer for nonperishable goods. He also would have to find a fresh produce supplier for his vegetables and fruits, and a supplier for meats and fish. Finally, he would need a processed food supplier for frozen goods.

Manuel planned to discuss suppliers with the owners of the restaurant where he used to work. The owners were very friendly and told him where to buy his supplies. He decided to use the same meat and fish suppliers they used.

Manuel called Shelton Poultry, located in Los Angeles, for his chicken purchases. He called the Main Lobster Exchange, also located in Los Angeles, for his fish. He ordered 50 chicken fryers, cut, for $129.36, 80 chicken breasts for $75.21, and 15 game hens for $20.85. He ordered 12 Eastern sole for $43.80, 15 Pacific snappers at $26.85, and eight white fish for $24.00 from the Main Lobster Exchange.

In checking on suppliers for other food purchases, Manuel discovered that he could buy things in the local markets much easier. He said, "Sometimes, in the long run, you are better off buying things like lettuce in local markets. If you buy a case, you may waste them. When you are starting a restaurant, you really don't know just how much you are going to sell. So you have to be very cautious about buying."

Manuel figured that he would buy things that would last three or four days--like meats and vegetables. As his business increased, he would increase his supplies. He purchased all of his meat and fish supplies by telephone. On June 25, he filled out a purchase order form. Shelton Poultry and the Main Lobster Exchange agreed to deliver his supplies June 28, three days before the restaurant was to open. The suppliers told Manuel that he could place his orders on a two-week payment basis. But he preferred to pay his bills in full at the time of delivery.

Buying and Keeping Track of Supplies

One of the most important decisions you will make in owning your own restaurant will be buying food and keeping track of your supplies. Food is the largest part of your business. You will probably spend from 35 to 50 percent of your expenses on it. Food is the only thing you will be selling. So the amount of money you make will depend on how carefully you make your purchases.

You will need to know three things when buying your supplies:

- what to buy;
- where to buy (suppliers); and
- how to buy.

What to buy depends on a lot of things. These include prices, your storage area, and the condition of the food when you buy it. Of course, the only food you will need to buy will be food that is on your menu.

Prices must be considered when making your purchases. If you have to go a long way to buy your food, it can be very expensive. Look for local suppliers. Check out the markets in the area for good buys. Try not to under- or overbuy. Consider the type of "turnover" you might have when buying. The hourly customer turnover rate per seat in a table service restaurant varies between one and two hours.

Quantity is also very important to consider. Buy only the amount of food that can be used and stored properly. Buy by the weight whenever possible. Quality is indicated by grade. The grade indicates the quality at the time of grading. It does not indicate the condition of the supplies at the time of the sale. So you will have to rely on good judgment when making your purchases.

Where should you buy hour food? Your food may be purchased from many places. These include:

- wholesale grocers;
- fresh produce suppliers;
- single product distributors; and
- processed food distributors.

These areas will be discussed in the suppliers area of this unit.

How should you buy your food? You can go to the market yourself to see what is available and being sold for a good price. Or you can buy from a salesperson in person or by phone. Good salespeople know the products and are "in touch" with business conditions. They will help to keep you informed about good buys. You may decide to buy by phone. Then set aside a specific time during one or more days of the week for these calls.

When ordering by telephone, be specific. Compare prices or products of the same quality from at least two sources before you place an order. Once you have found a good supplier, set up an understanding. Tell the salesperson to notify you when there is a change in the price list. Try comparing prices with different suppliers and placing orders with different dealers on different days.

Suppliers

You will need to consider three things when you choose your suppliers:

- quality and type of merchandise;
- prices; and
- services provided.

The quality and type of merchandise you buy will depend on your choice of suppliers and distributors. Restaurant owners usually deal with different suppliers. They are wholesale grocers, fresh produce suppliers, single product distributors, and processed food distributors.

Wholesale grocers. These people round up all kinds of nonperishable goods, from sacks of sugar to napkins. They will send a sales representative to your restaurant to discuss the needs of your operation.

Fresh produce suppliers. You can either send an employee with a truck or station wagon to a produce center or arrange for a "service wholesaler" to do the shopping. To place your order, you can call the distributor and reach an agreement on price and delivery date. An order called in on Friday can be set for delivery by the distributor the following Monday. Billing is usually weekly. But this varies with the local market and the distributors.

Single product distributors. These people can be found in the Yellow Pages under the specific product type (milk, poultry, beef, etc.), where there are lists of companies supplying that product.

Processed food distributors. These are listed in the telephone book under "Frozen Foods, Wholesale" (frozen vegetables and entrees), "Food, Dehydrated," or "Food Products."

The Restaurant Association (a trade association) distributes a free buyer's guide listing suppliers. You can contact the nearest trade association officer to find out if additional help is available in locating sources. Restaurant publications are another handy source of suppliers. Also, the "Grocers, Wholesale" ads in the phone book Yellow Pages may give you information about dealers specializing in supplying restaurants.

Supplier Terms

Food suppliers often open charge accounts for good credit risks. Some wholesalers put new accounts on a two-week paying basis until a good record is established. Then they extend credit on a monthly basis. Paying bills promptly, though, is the best way to continue a good relationship with your supplier.

Ordering Food

You should order your food based on a menu pattern covering at least a one-week period. This will allow you to make any recipe adjustments that might come up. For a record of the amounts you will need for a given portion, use a recipe card file. This recipe reference file would list, in alphabetical order, dishes frequently served, the number of portions, and amount of supplies needed. For example, under "Stew for 50," you would note: 81 lbs. of potatoes, 6 lbs. of carrots, and so on. This file serves to give the cook instructions. It also tells you how much of what to order.

To make up an order for staple foods (sugar, flour, salt), keep a "want" list in a handy spot. Jot down the things you will need. Before placing your order, check to see what food supplies you have on hand. Since fresh foods spoil quickly, they must be used immediately. Make up a "market" list before you telephone or shop. Fill in the prices of the things you buy when you make your purchases.

Purchase Order

You now have enough information to fill out a Purchase Order. This is the form Manuel used to record his purchases.

PURCHASE ORDER

TO:_____ DATE:_____

_____ PURCHASE ORDER NUMBER:_____

_____ REQUIRED DELIVERY DATE:_____

SHIP TO:_____ SHIP VIA:_____

_____

Quantity	Unit	Description	Unit Cost	Total Cost
		TOTAL		

Signature_____

The form you use may be different from the one Manuel used. But the important thing is that you keep accurate records of your purchases and the money you spend on your inventory.

Inventory Control

Careful recordkeeping can help you work out a system that shows, at any given time, how much food is on hand, how much is on order, and how much needs to be ordered. You will be able to see what supplies are used most frequently and need to be reordered. You will also be able to recognize the supplies that don't sell or are difficult to obtain.

An inventory control system can be based on counting storeroom stock, counting your guest checks, or counting cash register tape sales. You can use the information from delivery invoices to list goods on hand. Shipment dates, cost, and quantities are usually noted on these invoices. Place a check mark beside the name of the items as they are removed from inventory to be used. Inventory counts can be taken daily or weekly, depending on your needs. This decision will depend on your business and what will be easier for you to handle.

If your inventory control system is really working, there will be little food waste. Reducing waste is the result of a balanced inventory plan. Let's say you are ordering the right amounts of goods at the right times. Then you will never need to give your customers dishes made from leftovers--unless, that is, "leftovers" are your specialty. Manuel used the following form to record his purchases and sales.

INVENTORY CARD

Item_____

Supplier_____

Reorder Point_____ Order Amount_____

IN		OUT		AMOUNT REMAINING	
Date	Amount	Date	Amount	Date	Amount

Summary

Buying food and keeping track of supplies are very important parts of owning your own restaurant business. There are things to know when buying supplies: what to buy, where to buy, and how to buy. Three things must be considered when choosing your suppliers: quality and type of merchandise, prices, and services provided. A purchase order form should be used to record the information you need when ordering your food supplies.

Learning Activities

Individual Activities

1. Using the information in the case study, choose one of the supplies (chicken or fish) and complete the purchase order form below for Manuel.

PURCHASE ORDER

TO:_____ DATE:_____

_____ PURCHASE ORDER NUMBER:_____

_____ REQUIRED DELIVERY DATE:_____

SHIP TO:_____ SHIP VIA:_____

_____

Quantity	Unit	Description	Unit Cost		Total Cost	
				TOTAL		

Signature_____

What is the total cost of Manuel's purchase for fish or poultry? What was the supplier's condition for payment? How will the payment be made?

2. Think of a type of restaurant you would like to open. Make a list of the types of supplies you would include in your opening inventory. Look in the Yellow Pages and list some suppliers you would use to purchase your supplies/inventory.

3. What are the three things you should know when buying your supplies?

4. What are the things you should consider when choosing your suppliers?

5. Match the right supplier with the products distributed:

1. Liver, steak, dairy products	a. Wholesale grocer
2. Onions, tomatoes, carrots	b. Single product distributor
3. Beer and wine	c. Fresh produce supplier
4. Flour, rice	d. Processed food distributor
5. Powdered desserts, frozen food	

Discussion Questions

1. Has Manuel planned carefully for the amount of inventory he will need to open his restaurant? Has he purchased too much or too little?

2. Manuel chose to purchase some of his supplies from local markets. Was this a good idea? Should he have contacted salespeople for all of his supply needs and allowed them to handle his purchases? Explain your opinion.

3. Manuel is allowing three days between the day the supplies are to arrive and the opening of his restaurant. Should he have planned for more time? Why, or why not?

4. Manuel is planning to fill out an inventory card at the end of each day for all of the supplies he used and sales he made. What information will this supply him with?

Group Activity

Discuss the advantages and disadvantages of an inventory control system and buying all or part of your supplies in a local market as opposed to using only suppliers or distributors.

UNIT 6

Setting Prices

Goal: To help you decide how to set prices for your restaurant business.

Objective 1: Given things to consider about the price of a meal, select the best price.

MANUEL DECIDES HOW MUCH TO CHARGE

Manuel had to decide on the prices he would charge for his meals. His first thought in owning his own restaurant was to offer lower prices than his competitors. He knew from working in restaurants that the menu price is double or triple the food cost.

If steak costs two dollars, you charge four to six dollars. This will cover a lot of things in your restaurant like operating expenses. These include rent, salaries, taxes, insurance, advertising, and gas and electricity. Manuel said, "You may break even or lose money sometimes, but you won't lose too often. Another time, you may make more money. But you usually balance out your loss. For example, a loss on a filet mignon can be balanced by making money on a vegetable casserole."

Manuel's menu will include dishes prepared with meat, poultry, and fish. He also will include vegetable casseroles to balance his menu. For meats, he will charge two times what it cost him. He will balance any loss by charging three times more for a vegetable casserole, which will cost much less than the meat products. Manuel also knew he must have a variety of dishes in his menu to please his customers.

Setting Prices

In setting the prices for your restaurant you will need to think about four things:

- food costs;
- wages and other operating expenses;
- competitors' prices; and
- profit.

In this unit, you will learn about the four main things to consider in setting prices and the way you go about doing it.

Food Costs

In choosing prices for your meals, you need to consider the amount you had to pay for the food and related items you put into the meal. You should make a list of everything you serve in a certain meal and the prices you had to pay for each item. After you figure out the total cost, you usually multiply by three to find out how much to charge the customer.

The following is a sample of how one restaurant set the price of a meal.

One Dinner Serving

(Entree of veal with tomato and cheese sauce)

Entree	
4 oz. veal $2/1b.	$ .50
4 oz. tomato sauce	.08
2 oz. cheese	.15
Mushrooms, parsley	.10
Cost of entree	.83
Other items	
Baked potato	$ .15
Peas	.08
Salad	.40
Rolls	.20
Cost of other items	.83
Total Cost per Serving	$ 1.66

Price to Customers: 3 x $1.66 = $4.98

(The price on the menu would be $5.00)

Wages and Other Operating Expenses

Your prices must allow for your operating expenses. Operating expenses for a restaurant include such things as wages, rent, taxes, insurance, paper and other supplies, advertising, utilities, repairs on equipment, payment on loan debt, and depreciation. Depreciation is the amount that your equipment reduces in value each year due to wear and tear. It applies only to equipment you own.

You will have to pay your employees a minimum hourly wage. Of course, each employee's wages will depend on his or her job and experience. A cook will be paid more than a waiter or dishwasher. The waitresses' and waiters' tips usually make up for their low salaries.

For information on wage requirements contact your state Restaurant Association or the nearest office of your State Division of Industrial Welfare.

Competitors' Prices

Your prices for meals will also depend on what your competition charges. This means restaurants who offer similar meals and services in a similar location. For example, if you charge more for your lunches than your main competition down the block, you'll "price yourself out of business."

Profit

Profit is what is left over after everything else has been paid. In a restaurant with a sales volume of about $100,000 a year, the profit may amount to about $1,500 a month.

Profit includes your own salary, income taxes, and money to expand your business. Out of profit, for example, you would buy new furniture or a new energy-saving dishwasher.

Summary

Setting prices takes some thinking. There are four main things to consider in setting prices: cost of food, operating expenses, competition, and profit.

Learning Activities

Individual Activities

1. What does the menu tell the customer?

2. How do you set the price of a meal? What is the ratio of the food cost to the menu price?

3. Let's suppose you and your date are dining at a luxury restaurant and the following meals have been ordered:

   Beef Tenderloin "Deane"
   Cut from the heart of tenderloin strips, the medallions are sauteed in sweet butter and flamed with golden Cognac, served with a scoop of specially prepared Indian wild rice.....$6.75

   Red Snapper "Pontchartrain"
   Sauteed in butter with chopped shrimp, crab meat, finished with sliced almonds and fine herbs.....$5.50

   Calculate the restaurant owner's food cost for each meal from the ratio set for menu pricing.

4. Call or visit several restaurants in your area. Find out how they set their menu prices, how much they pay their staff (from the cashier to the busboy or busgirl), and if they provide employee meals. Also, contact the Restaurant Association to compare these figures.

5. Obtain a copy of a menu from a fast-food and a luxury restaurant. Study the similarities and differences between their prices and pricing methods.

Discussion Questions

1. List and discuss the expenses a restaurant owner might have that would reduce his or her profits.

2. Manuel decided to set his menu prices at twice his meat costs. Do you think this was a wise decision? Why, or why not?

3. Why do you think restaurant employees are usually paid a minimum hourly wage? Discuss the advantage of tips.

Group Activity

Interview the owners of a local fast-food and luxury restaurant. Ask them about their pricing policies, operating costs, and how they determine expected profits. Present the findings of the interviews to the class and compare notes.

UNIT 7

Advertising and Selling

Goal: To help you learn ways to advertise and sell your restaurant.

Objective 1: Choose the best way to advertise your restaurant for a specific purpose.

Objective 2: Develop a printed ad for your restaurant for the Yellow Pages or a newspaper.

MANUEL ADVERTISES HIS RESTAURANT

Manuel decided to give a two-night promotional opening before he officially opened his restaurant. The opening was just going to be a party for his friends, a close group of people. But a friend told him that he should invite other people who would be good for the business. So instead of just a group of friends, Manuel decided to invite a variety of people and potential customers.

Manuel decided to use direct mail as a way to promote or "sell" his restaurant. He got a list of people from all his friends. He then developed announcements that were handwritten to give a "personal touch." Manuel figured people would be impressed with a handwritten invitation addressed to them personally. They might come to the restaurant even though they did not know who he was. The idea worked. People came without really knowing who he was.

Manuel also placed an ad in the Yellow Pages a few months before the opening of his restaurant. The ad looked like this.

LA MASIA RESTAURANT

La Masía

"The Old Spanish Country House
with a family feeling"
Castilian-Continental Cuisine

"For Reservations Call"

LA MASIA RESTAURANT
Just East of Dohen Dr.
9801 Santa Monica Bl.....273-1062

Advertising and Selling

Advertising and selling your restaurant are very important to the success of your business. As a restaurant owner you will need to do three things:

- initiate the sale;
- understand customer needs; and
- select various forms of advertisement.

Initiate the Sale

Your first step in selling your service once you have opened your restaurant is to meet the customers. Greet them with a friendly smile and give them your immediate, prompt attention.

The actual selling of the food involves introducing the customers to the type of food and services you offer by--you guessed it--giving them the menu. Tell the customers about the food when you answer their questions. Give tactful advice about the food. Never high pressure your customers into selecting a meal they might not enjoy.

Understanding Your Customers

Another important area to think about when selling your services is the customer's viewpoint.

Many restaurant owners work so hard at buying supplies, supervising employees, and serving food that they never stop to look at the restaurant as the customer sees it. They are so busy preparing the

meals that they forget how to sell them. They overlook little things that may mean the difference between customer satisfaction and displeasure.

A way to learn what customers think of your food is to look at the plates as they come back from the customers. The food left on a plate will tell you what kind of food people like least. A lot of customers may leave a certain food on their plates. Then you will know something is wrong.

Customers' complaints usually include things like slow service, uncomfortable chairs, rocking tables, bad lighting, and drafts. If customers tell you about their complaints you can usually correct them. But many won't tell you. They just won't come back. This is the greatest danger a restaurant faces. So invite customers to make suggestions. You may include an area for suggestions on your menu. Or you might place a box near the door where they can drop their comments.

Advertising

Word-of-mouth is the best means of advertising for the individual owner restaurant. People like to swap stories or recommendations about delicious meals with excellent service. And let's not forget the stories about horrible service and terrible food. Unless you have a full house every day, you will want to do some kind of advertising to attract more customers. Some restaurants don't advertise. But for those that do, 4% of their operating expense is spent on advertising costs.

There are three ways to attract customers to your restaurant: Yellow Pages, newspaper ads, and direct mail.

Yellow Pages. Advertising in the Yellow Pages is absolutely necessary. Your ad will reach the entire community and will last a long time. It should appeal to all types of people.

An ideal ad has several qualities.

- It's simple.
- It's informative.
- It's truthful.
- It shows important or special features of your business.
- It's imaginative and attractive.

These ads get a lot of response from all types of restaurant customers. These include local residents, tourists, people new in town, and those who have lived in the same place for a lifetime. Cost is based on page space.

Look at your competitors' ads. Try to design an ad that will include a headline, information about the restaurant, your name, address, the phone number, and a picture of the place. Remember, the ad order should be placed far enough in advance to appear by the time you open for business.

Newspaper ads. Plan to advertise in the newspaper, at least until your business is well established. Newspaper ads have several advantages.

- They reach a large number of people.
- They are pretty cheap for the number of people they reach.
- They can reach all types of people.

The cost of the ads is usually based on column inches, with the highest for metropolitan dailies and lowest for weeklies. Contact the newspaper display advertising department about detailed information you might need.

Direct mail. This is advertising sent to the customer. Fliers, sample menus, and letters are used in this type of advertising. Direct mail advertising is good because it can be sent to a special group of people who would likely be influenced by it. It is the most personal of all advertising because it is directed to an individual by name.

The advantage of this type of advertising is that the message is addressed and delivered only to people you want to reach at the time you want them to receive it.

Summary

As the owner of a restaurant, you must sell your services to everyone. There are three things you will need to do in selling and advertising your services: initiate the sale, understand the customer's needs or viewpoint, and choose various types of advertisement to use.

Learning Activities

Individual Activities

1. What is the first step in selling your service once you have opened your restaurant?

2. What would the actual selling of your food involve?

3. How could you tell what foods your customer liked least?

4. Name at least three customer complaints.

5. What is the greatest danger a restaurant faces?

6. What is the best means of advertising for an individually owned restaurant?

7. Name three ways to attract customers to your restaurant.

8. Manuel wants to change his ad in the Yellow Pages. He would like to add his business hours and the days he will be open. He is also considering changing the style of his ad. Make up a new ad for his business.

Discussion Questions

1. Jennifer Brown, owner of A la Carte Restaurant, just opened her restaurant. She wanted to place an ad in the newspaper. But she had a limited amount to spend for advertising. Jennifer had already

placed an ad in the Yellow Pages. Should she place her ad in the daily or weekly newspaper? Why?

2. Albert DeBlanc opened a restaurant for teenagers. To advertise his business, he sent fliers to the homes of the students in the area. He addressed the mail to "Occupant" and received very little response. What could Albert have done to get a better response? Why? Do you think he should have used another kind of advertisement? Why?

Group Activity

Each student should bring in a restaurant ad from the Yellow Pages. Compare these ads and discuss the following questions.

1. Which ads are describing specialty restaurants?

2. Which ads do you think cost the most and least? Why?

3. Which ads are luxury restaurants and which are fast food types? How can you tell?

4. Which ads are most appealing? Why?

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your restaurant.

Objective 1: Fill out a customer guest check form.

Objective 2: Fill out a daily cash sheet for money received and paid out in one day.

MANUEL KEEPS TRACK OF FINANCES

In the first few months of Manuel's business he was very disorganized. "I was just paying bills and putting them in a box. I didn't have enough experience in handling my financial records. But I learned the hard way. It took me hours and hours to straighten up the mess I had made. Then I started keeping a daily and weekly bookkeeping system."

Every evening, Manuel would add up the guest checks (customer receipts). Then he checked them against the cash register receipts to account for all of his sales. These cash sales usually averaged about $250.00 a day. On Monday (closing day), Manuel would add up the week's time sheets. Then he would prepare the employees' checks for payday on Tuesday.

Manuel always paid his suppliers at the time he received his goods. His cash payments for a typical week were as follows:

Employee wages	$600.00
Advertising	10.00
Inventory & Supplies	30.00
Taxes	40.00
Laundry & Linen	20.00

Keeping Financial Records

As a restaurant owner, you must have a clear way of keeping track of your income and expenses. You must keep good financial records. Then you will know how your business is doing and you can make better business decisions.

Your records will help you to answer the following kinds of questions.

- How much business did I do?
- How much net profit did I earn?
- How much were my food costs?
- How much were my other expenses?

Many restaurant owners question the need for keeping records. They say, "Why keep a lot of complicated records? I'm so busy running my restaurant, I don't have time for recordkeeping."

Many small restaurants have failed either because of poor record-keeping or because no records were kept at all. Business success and good recordkeeping go hand in hand. There is a real need for recordkeeping.

Your record system does not have to be complicated. It can be simple, easy to keep, and require little time. You will need to know how to keep track of the money coming in to (cash receipts) and going out of (cash payments) your business. You will learn about guest checks and daily cash sheets.

Guest Check

These checks are sometimes called guest orders. The guest check is the record for the service of your food and the way in which you collect your money from the customers. The check has space for the order and the correct amount to be paid by the customer. It also includes information about the:

- server (waiter or waitress);
- number of guests (customers);
- table being served; and
- date and amount of the purchase.

These checks are usually purchased in "book" form. They should be numbered so that all of them can be accounted for. Guest checks will tell you how many sales you have made in a day. They should also be checked against your cash register receipts at the end of each day. Your cash register receipts are your record of each sale plus the total number of checks you ring up. The guest check Manuel used for his restaurant is shown on the next page.

Daily Cash Sheet

Manuel used a daily cash sheet to keep track of the money coming into and going out of his restaurant each day. This is a way of recording the cash sales for each day. The sales are recorded on the left side of the form and are added up daily.

On the right side of the form, you enter the money you paid out each day. These are the operating expenses of your restaurant. The actual daily cash sheet that you will use as a restaurant owner may be different.

At the end of each week or month, these daily forms are added up. They are added again at the end of the year to provide a complete statement of your profit and loss.

DATE	SERVER	No. GUESTS	TABLE	AMOUNT

La Masía

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	_____	Salaries	_____
Credit Accounts	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	_____	TOTAL CASH PAYMENTS	_____

If you don't want to bother with the recordkeeping part of your business, you can hire a part-time accountant who specializes in restaurant operations. All you need to do is keep a daily record of:

- cash register receipts;
- cash on hand;
- bank deposits;
- cash paid out; and
- checks issued.

Send these records to the accountant each week or month, depending on your set-up. The accountant will prepare the records and financial statements for you.

Summary

Keeping good financial records is a necessary part of running your own restaurant. It involves properly completing a guest check and regularly keeping track of the business income and expenses.

Learning Activities

Individual Activities

1. Briefly describe a daily cash sheet and list the information it contains.

2. Complete a daily cash sheet for Manuel. Read the case study. Using today's date, how much money came into the restaurant today, and how much was paid out (assume that today is Monday)?

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	_____	Salaries	_____
Credit Accounts	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	_____	TOTAL CASH PAYMENTS	_____

3. It was July 2, Nancy Wong's birthday. She wanted to celebrate by going to dinner. So she decided to go to Manuel's restaurant alone, where she had eaten many times. She sat at her regular table, number 4, and was served by Ramon. Since this was a special occasion, she ordered the specialty dish, paella (a dish with different types of fish), priced at $6.50. She also ordered stuffed mushrooms as an appetizer for $3.50. For dessert, she had flan (a custard dish) priced at $2.50 and coffee for $ .75. Nancy paid in cash. Complete the Guest Check shown on the next page.

DATE	SERVER	No. GUESTS	TABLE	AMOUNT

La Masía

	FOOD	
	BAR	
Server | Guests | Table	SUB-TOTAL	
	SALES TAX	
	PLEASE PAY THIS AMOUNT →	

Discussion Questions

1. What other types of financial records would the owner of a restaurant have to keep? Think of other types of money dealings this business would have.

2. Would the financial recordkeeping of an answering service be different from that of a restaurant?

3. What are the reasons why it is important to keep good financial records?

4. Discuss reasons why your restaurant cash flow should be figured up regularly.

Group Activity

Collect sample guest checks from different restaurants in your area. Compare them. How are they similar? How are they different? What information do they record?

UNIT 9

Keeping Your Restaurant Successful

Goal: To help you learn how to keep a restaurant successful.

Objective 1: Figure out the net profit (before taxes), profit ratio, and expense ratio for this business.

Objective 2: State one way this business could increase its profits.

Objective 3: Suggest a way to change your business to increase sales.

MANUEL CHECKS HIS RESTAURANT'S HEALTH

The time has passed quickly for Manuel's restaurant. La Masia is now one year old, and business has grown. Manuel has enlarged his menu and opened for lunch.

But Manuel has been faced with some serious problems. Several other restaurants have opened in the area, and the economy has taken a turn for the worse. People are starting to think twice about eating out, especially in luxury restaurants. Instead of regular customers eating three times a week in Manuel's restaurant, they may come in only once.

Though he is making a profit, it's a low one. Manuel is disturbed about the decline in customers. He decides to make some changes to keep his restaurant profits growing. He has to figure out a way of increasing his profits. Should he raise the prices of his menu or reduce his hours?

Keeping Your Business Successful

Everyone who goes into business wants to be successful. But how to be successful is always a business owner's problem.

There are three important ways to keep your business successful.

- Make sure you have enough money on hand.
- Keep profit up and costs down.
- Make changes in your business whenever necessary.

In the last unit, you learned how to keep track of cash on a daily basis. Keeping accurate records of your sales and expenses is a "must" in determining profit. The same kind of system can be used on a weekly, monthly, or yearly basis to keep track of your profit. In this unit, you will learn how to keep track of and increase your profit. You also will learn how to change your business to increase your sales.

Keeping Track of Profit

Profit is what you receive for your hard work. It is the amount left over from your revenues (sales) after all of your costs and expenses have been paid. When you add all the figures over the whole year as Manuel did, you will come up with a profit/loss statement.

A profit/loss statement will tell you what your business owes, what it owns, and how much profit you have made over the year. A profit/loss statement will let you know the direction your business is taking from year to year.

The profit/loss statement has five areas:

- revenues--money that comes into your restaurant from retail cash and credit sales;
- cost of goods sold--wholesale cost of the food that is sold to your customers;
- gross profit--amount of money from retail sales after paying the wholesale costs for supplies;
- expenses--money spent in operating the business, including employees' salaries, rent, utilities, advertising, and so on; and
- net profit--amount of money left over from your gross profit after all your restaurant expenses are paid. (Net Profit = Revenues Minus Costs and Expenses; or Net Profit = Gross Profit - Expenses.)

This is an example of the profit/loss statement you might use in your restaurant.

PROFIT/LOSS STATEMENT

Year 1

	$	%
Revenues		
Cash Sales	100,000	
Credit Sales	---	
TOTAL	100,000	100
Cost of Goods Sold	30,000	30
Gross Profit	70,000	70
Expenses		
Employees' Salaries	28,000	
Building Expenses	10,000	
Supplies	3,000	
Advertising	2,000	
Other	12,000	
TOTAL	55,000	55
Net Profit (before taxes)	15,000	15

Two Year Profit/Loss Statement

If you want to compare your income and expenses for two years, you may use a form like this.

TWO-YEAR PROFIT/LOSS STATEMENT	Year 1		Year 2	
	$	%	$	%
Revenues				
Cash Sales	_____		_____	
Credit Sales	_____		_____	
TOTAL	_____	100%	_____	100%
Cost of Goods Sold	_____	___	_____	___
Gross Profit	_____	___	_____	___
Expenses				
Employees' Salaries	_____		_____	
Building Expenses	_____		_____	
Supplies	_____		_____	
Advertising	_____		_____	
Other	_____	___	_____	___
TOTAL	_____	___	_____	___
Net Profit (before taxes)	_____	___	_____	___

You can record your figures written in dollars or in percentages of total gross sales, or both. Figuring in percentages makes it easier to compare how well your restaurant did last year with how well it is doing this year. The profit and expense ratios can also help you compare how well you are doing over the years.

The information in your profit/loss statement can be used to figure out the profit ratio and expense ratio of your restaurant. Use the following formula to compute these ratios:

$$\text{Profit ratio} = \frac{\text{Net Profit}}{\text{Revenues}}$$

$$\text{Expense ratio} = \frac{\text{Expenses}}{\text{Revenues}}$$

Improving Net Profits

What if your profits are too low and business is not growing enough? You can try several ways to increase them:

- increase sales;
- raise prices; or
- reduce expenses.

Changing Your Business to Increase Sales

Changes in customer habits will always have an effect on the restaurant business. Food and energy shortages will be an added problem. So you'll probably need to increase prices from time to time to raise your profits. You might also need to limit your menu or reduce your number of employees. It will all depend on the change you feel will be most effective in increasing your net profits.

You might also want to improve your menu or change your "image." Before trying to make any changes, you'll need to do some research. Ask your customers and your staff what they would think of your ideas for changes. Everybody's opinion helps. Look at the community and your competitors. Study new eating trends.

Sales may be low for many reasons. Thoroughly investigate the reason you feel the need for change. Manuel made changes in his prices as the economy changed. He knew other restaurants would be raising prices, too. However, he knew that he would have to keep up his good service to keep his customers coming.

Summary

You can figure out profits and compare them on a monthly or yearly basis by recording income and expenses on a profit/loss statement. If you want to increase profits you must increase sales, raise prices, or reduce expenses. To increase sales, you may need to improve the quality of or make other changes in your restaurant.

Learning Activities

Individual Activities

1. What are the three important ways to keep your business successful?

2. Explain net profit. Compare it with what is meant by the term gross profit.

3. What are some ways to increase profits when sales are too low?

Discussion Questions

1. Manuel's restaurant is making a profit. Why do you think he is concerned?

2. Think of things Manuel can do to increase his profit margin.

3. List as many reasons as you can think of why sales and profits in a restaurant might decline.

Group Activity

As a class, list several different activities that you would have to do if you were a restaurant owner. After you have completed this list, discuss how you feel about doing these things. Give yourself 3 points if you think you would like an activity, 2 points if you wouldn't mind it, 1 point if you would do it but wouldn't want to, and 0 if you wouldn't do it at all. It doesn't matter how many points you get because there are no right or wrong answers. This is just to see if owning a restaurant might be right for you.

SUMMARY

This module has been about owning a restaurant. People with training in food services can start restaurants. They can run a luxury restaurant or a fast-food restaurant.

To start a small business, you need to do lots of planning. First you have to be sure that owning a small business is right for you. Then you have to decide what services to offer, how to compete, and what legal requirements to meet.

To pick a good location, you have to find out if your customers would come to your restaurant. Then you have to get money to start. That means showing a banker that your idea is a good one.

Being in charge means hiring good workers and training them to perform their jobs well. You should keep track of customer turnover patterns so you can efficiently schedule part-time help.

Setting prices means figuring out the lowest price you can charge and also the highest price. To do this you need information on your expenses and on your competition's prices.

Advertising and selling are the ways you get customers. You can use Yellow Pages ads, newspaper ads, and direct mailings to promote your business image. These are all important ways to help your business succeed.

You should keep good financial records so you will know how the business is doing. Then you can decide if you can expand your business or if you need to cut it back.

To own and operate a successful restaurant, you need training in food services, work experience, and the special business management skills we have covered in this module. If you have not had a course in food management and services, you should take one before deciding to own a restaurant. You can learn business management skills through business classes, experience, or by using the advice and example of an expert.

You may not make a lot of money by owning a restaurant. However, you would have the personal satisfaction of being responsible for your business and making your own decisions. Think about how important these things are to you in considering whether you should start your own restaurant.

QUIZ

1. As a restaurant owner, which of the following areas would you <u>not</u> need to know something about in operating your business?

   _____a. Manufacturing

   _____b. Retailing

   _____c. Service trades

   _____d. Distribution

2. List three personal qualities the owner of a restaurant should have:

   a. _____

   b. _____

   c. _____

3. List two new services a restaurant owner can provide to compete well:

   a. _____

   b. _____

4. List two legal requirements you will have to meet to open your restaurant:

   a. _____

   b. _____

5. When you choose a site for your restaurant, you should consider:

_____a. parking
_____b. competition
_____c. possible income
_____d. rent
_____e. size of your business
_____f. all of the above

6. Information that does <u>not</u> need to be included in your business plan is:

_____a. the number of employees you plan to hire
_____b. the expected customers
_____c. a complete inventory list
_____d. services you will provide

7. Which of the following would need to be in your financial plan?

_____a. How much money you made in your last job
_____b. Money for emergencies
_____c. How much money your parents make

8. Joe Borenstein's starting expenses for his new restaurant are $41,000. He had $9,000 of his own he had saved and $7,000 he received from his parents. How much money will Joe need to borrow?

9. Which information would need to be put in a job description?

_____a. Salary, benefits, hours
_____b. Personality type, age, sex wanted
_____c. Address, type of restaurant, directions to the office

10. If this were the only information you had, which person would probably make the best waiter?

_____a. A person who really needs a job

_____b. A person with a pleasant personality

_____c. A person who likes to work alone and does not like to be around people

11. List three ways to find an employee:

a. _____

b. _____

c. _____

12. List the three things you should look for in a prospective employee's application:

a. _____

b. _____

c. _____

13. What factor is least important in selecting suppliers for your restaurant?

_____a. Quality and type of merchandise

_____b. Prices

_____c. Services provided

_____d. Personality of the supplier

14. List the three types of information a good inventory control system will give you:

a. _____

b. _____

c. _____

15. Name at least three types of suppliers a restaurant owner might use:

a. _____

b. _____

c. _____

16. In setting the prices for your menu, the price is usually in what proportion to the food cost?

_____a. Twice

_____b. Three times

_____c. Four times

_____d. None of these

17. List three advertising methods used to attract customers to restaurants:

a. _____

b. _____

c. _____

18. List four types of information included on a customer guest check:

a. _____

b. _____

c. _____

d. _____

19. Which of the following information does a daily cash sheet include?

_____a. Cash sales and payments

_____b. Cash sales, payments, and profits

_____c. Cash sales, payments, and debts

_____d. Cash sales, payments, profits, and debts

20. The Bon Apetit, a restaurant, shows yearly sales of $210,000, cost of goods sold of $84,000, and expenses of $105,000. Compute the following:

Net profit = _____

Profit ratio = _____

Expense ratio = _____

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PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components